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C O N F I D E N T I A L CAIRO 009583

SIPDIS

STATE FOR NEA/ELA, NEA/RA AND EB/IDF
USAID FOR ANE/MEA MCCLOUD AND CHAN
USTR FOR SAUMS
TREASURY FOR MILLS/NUGENT/WALKER/KLINGENSMITH/PETERS
COMMERCE FOR 4520/ITA/ANESA/TALAAAT

E.O. 12958: DECL: 12/29/2015

TAGS: [ECON](#) [EFIN](#) [EAID](#) [EG](#)

SUBJECT: STATUS OF EGYPTIAN BANK PRIVATIZATION

Classified by Charge Stuart Jones for reasons 1.4 (b) and (d).

1. (C) An early December discussion between the Ambassador and Egyptian Central Bank Governor Farouk El Okdah focused on the USG-GOE Financial Sector MOU, specifically benchmarks for item three of the MOU, i.e., divestment of GOE shares in the four largest joint venture (JV) banks by 6/30/05 and privatization of the candidate state-owned bank by 12/31/05. \$100 million DSP funds are tied to divestment of GOE shares in the JV banks and \$150 million in DSP funds are tied to privatization of the candidate bank, the Bank of Alexandria (BOA).

2. (C) El Okdah noted that the GOE had already divested its shares in four JV banks and would sell its shares in three additional JV banks by the end of the year. (Note: Only two of the four banks divested, National Societe Generale Bank and Misr International Bank, contribute to achievement of the benchmark. The GOE has yet to divest its shares in the two other largest JV banks, Commercial International Bank and Egyptian-American Bank. End note.) On the issue of privatization of BOA, El Okdah stated that although the GOE would not meet the end-2005 target, audit of BOA has been finished and the bank would be on the market soon. He was confident the bank would be sold by the end of the first quarter of CY2006. He expected BOA would be purchased by a single strategic investor, but said that the GOE might sell a majority stake to a strategic investor and float the remainder in an IPO on the stockmarket.

3. (C) Regarding disbursement of DSP funds, El Okdah said he would like to package a number of benchmarks together for a single substantial disbursement of funds, rather than take disbursements piecemeal. He estimated the GOE would be in a position to ask for \$200-400 million in DSP by February 2006.

(Note: El Okdah did not mention what other benchmarks he believed would be completed by February 2006. End note.) The Ambassador suggested it would be useful for El Okdah himself to travel to Washington to lay out what had been accomplished. El Okdah replied that if the GOE met the benchmark on BOA privatization by February 2006, he would plan to travel to Washington at that time. Otherwise, he would be in Washington in early April for the spring World Bank/IMF meetings.

4. (C) Others' estimates for the BOA privatization are more conservative. Working level contacts at the Ministry of Finance predict the GOE will be in a position to seek \$375 million in DSP, including disbursement of funds tied to BOA privatization, by June 2006. In a late-December conference sponsored by the AmCham Banking Committee, BOA Chair Mahmoud Abdel Latif stated that BOA's restructuring was complete and the bank would be put on the market in January. He predicted that due diligence, negotiation and closing of the sale would be concluded by June.

5. (C) Comment: Although none of these predictions would meet the MOU target date, privatization within a few months of the target date would be a major accomplishment for the GOE, given the complexity of the task. End comment.

JONES